

Order recorded under:

CODE OF VIRGINIA
§ 45.1-361.26

VIR GINIA:

BEFORE THE GAS AND OIL BOARD

APPLICANTS:

CNX Gas Company LLC on behalf of Hurt McGuire Land Trust and four members of the Linkous Horn Heirs: Nellie A. Maynard, Danny W. Elder, Robert G. Elder and Joseph P. Horne.

DOCKET NO.

98-0421-0649-03

RELIEF SOUGHT:

Issuance:

A Supplemental Order for Disbursement of Escrowed Funds

Action: Amending Prior Orders Affecting Drilling S-37,

a portion of Tract 5

(Referenced herein as "the Subject Drilling Unit")

Location:

Buchanan County, Virginia

Action Details:

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit <u>S-37</u> by Tract Subaccounts;
- (2) To provide each applicant, in simple terms, a complete month over month Royalty Accounting of unit production, costs, taxes and proceeds, depicting variables used in the calculation of royalty payments to the unit escrow account.
- (3) To disburse unit funds to the Applicants, in accordance with their Unit Ownership Interests relative to those funds deposited by the Unit Operator into Subject Drilling

REPORT OF THE BOARD FINDINGS AND ORDER

- 1. **Hearing Date and Place:** This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on April 21, 2009 at the Russell County Government Conference Center, 139 Highland Drive, Lebanon VA.
- 2. **Appearances**: , Mark A. Swartz, Esq. SWARTS Law Offices PLLC appeared for the Unit Operator; and Sharon M.B. Pigeon, Assistant Attorney General, was present to advise the Board.
- 3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et seq., and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract sub accounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract sub accounts. The Board finds that: (1) while it does not have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it does not have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, the Board does have jurisdiction and authority to disburse funds from the Escrow Account provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein.

4. **Prior Proceedings**:

- 4.1. On November 17, 1999 the Board executed its order 98-0421-0649-01 pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Buchanan County on April 28, 2000, Deed Book 506 Pages 375 to 391, Instrument Number 000001279. The Board executed its Supplemental Order Regarding Elections that was filed with the Clerk on July 5, 2000, Deed Book 509 Pages 602 to 611, Instrument Number 000001842
 - 4.1.2 On January 20, 2004 the Board executed its order 98-0421-0649-02 pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Buchanan County on April 2, 2004, Deed Book 0589 Pages 0664 to 0682, Instrument Number 040001007. The Board executed its Supplemental Order Regarding Elections that was filed with the Clerk on September 26, 2006, Instrument Number 060003151.
- 4.1 To the extent claims to the Gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony, the coal estate ownership interests of Hurt McGuire Land Trust; and the gas ownership interests of certain of the Linkous-Horn heirship in a portion of Tract 5 including Nellie A. Maynard, Danny W. Elder, Robert G. Elder and Joseph P. Horne in the Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.2 The Unit Operator's Miscellaneous Petition regarding a portion of Tract 5 a copy of which is attached to and made a part hereof, states under oath that Hurt McGuire Land Trust and the Applicants have entered into an agreement with regards to a portion of Tracts 5 and that by the terms of the agreements, Hurt McGuire Land Trust has entered into a split agreement (50% / 50%) regarding this tract and escrow regarding these individual conflicting claims detailed herein, is no longer required for these parties.
- 4.3 The Unit Operator gave notice to Hurt McGuire Land Trust and the applicants that the Board would consider its disbursement authorization at its hearing on April 21, 2009 and consider whether to: (1) amend the Pooling Order to provide for the disbursement a portion of funds on deposit in the Escrow Account attributable to a portion of tracts 5 identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to a portion of said Tracts 5 the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) continue the escrow account under this docket number because there are other parties under this order subject to continued payments in the escrow under Tract 5.
- 4.4 The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. Findings:

5.1. Va. Code 45.1-361.22.5 provides:

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

- 5.2 Applicant has certified and represented to the Board that:
 - (1) Hurt McGuire Land Trust and certain individuals of the Linkous-Horn heirship property in Tract 5; Hurt McGuire Land Trust and Nellie A. Maynard, Danny W. Elder, Robert G. Elder and Joseph P. Horne are the owners of the coal and gas acreage estate underlying a portion of VGOB Tract 5 of the Subject Drilling Unit:
 - (2) Net interests attributable and to be disbursed to Applicants are shown in Table 1,

	VGOB-98-0421-0649-03 (First Disbursement from the Unit) S-37	Frac Interest	Acreage Interest Disbursed	Split Agreement	Escrowed Acres Total	% of Escrowed Funds
	Table 1					
Tract	Disbursement Table					
	Totals				1.0000	
5	Hurt-McGuire Land Trust	UPBRITTING TO THE	0.1167	50.0%		5.8333%
<u> </u>	c/o Charles Green					3,33,30,70
	P. O Box 1067 / Bluefied VA 24605					
5	LINKOUS-HORN HEIRS	1.0000				
5	Nellie A. Maynard / P. O. Box 296 / Raven, VA 24639	1/180	0.0056	50.0%	0.003	0.2778%
5	Danny W. Elder / P. O. Box 296 / Raven, VA 24639	1/180	0.0056	50.0%	0.003	0.2778%
5	Robert G. Elder / P. O. Box 65 / Raven, VA 24639	1/180	0.0056	50.0%	0.003	0.2778%
5	Joseph P. Horne / 492 Gray Branch Road / Cedar Bluff, VA 24639	1/10	0.1000	50.0%	0.050	5.0000%
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6. Relief Granted:

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting and Table 1 above, the Escrow Agent is ordered to, within 10 days of receipt of this executed order to disburse funds for the unit and applicants detailed in Table 1 above.

Exhibit E to the Pooling Order, showing owners subject to escrow, is deleted and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of those applicants indicated in Table 1 be deposited by the Unit Operator into the Escrow Account, <u>and</u>, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to <u>continue</u> the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

7. Conclusion:

Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

8. Appeals:

Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 3/	_day of	, 2009 by a major	ity of the Virginia	Gas and Oil Board
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DONE AND PERFORMED this 3) day of an Order of this Board.

David E. Asbury Jr.,
Principal Executive to the Staff
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA)
COUNTY OF RUSSELL

Acknowledged on this day of (2009, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bradley C. Lambert, being duly sworn did depose and say that he is the Chairman of the Virginia Gas and Oil Board and David E. Asbury Jr., being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

My commission expires: 09 / 30 / 2009

Notary Public #174394

COMMISSION EXPIRES

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BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL DOCKET NO: VGOB 98-0421-0649- 03

RELIEF SOUGHT: (1) DISBURSEMENT FROM ESCROW REGARDING a portion of TRACT(S) 5 (2) AND AUTHORIZATION FOR DIRECT

HEARING DATE: April 21, 2009

PAYMENT OF ROYALTIES

DRILLING UNIT: S-37

BUCHANAN COUNTY, VIRGINIA

MISCELLANEOUS PETITION

- 1. <u>Petitioner and its counsel:</u> Petitioner is **CNX Gas Company LLC**, 2481 John Nash Boulevard, Bluefield, West Virginia 24701, 304/323-6500. Petitioner's counsel is Mark A. Swartz, **SWARTZ LAW OFFICES**, **PLLC.**, 601 Sixth Avenue, Suite 201, P.O. Box 1808, St. Albans, WV 25177-1808.
- 2. Relief sought: (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to a portion of Tract(s) 5 as depicted upon the annexed Exhibit A; and (2) authorization to begin paying royalties directly to the parties to the royalty split between Hurt McGuire Land Trust and Nellie A. Maynard, Danny W. Elder, Robert G. Elder and Joseph P. Horne.
- 3. <u>Legal Authority</u>: Va. Code Ann. § 45.1-361.1 <u>et seq.</u>, 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.
 - 4. **Type of well(s):** Coalbed methane.
- 5. <u>Factual basis for relief requested:</u> Hurt McGuire Land Trust and Nellie A. Maynard, Danny W. Elder, Robert G. Elder and Joseph P. Horne have entered into royalty split agreement(s). Said royalty split agreement allows the Applicant and Designated Operator to pay royalties directly to the persons identified in Exhibit EE annexed hereto and the annexed Exhibit A, further, specifies how said royalties are to be divided and paid.
- 6. <u>Attestation:</u> The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC

BY ITS PROFESSIONAL MANAGER

CNX GAS COMPANY LLC, PETITIONER

By:

Anita D. Duty

Pooling Supervisor CNX Gas Company LLC

2481 John Nash Blvd.

Bluefield, West Virginia 24701

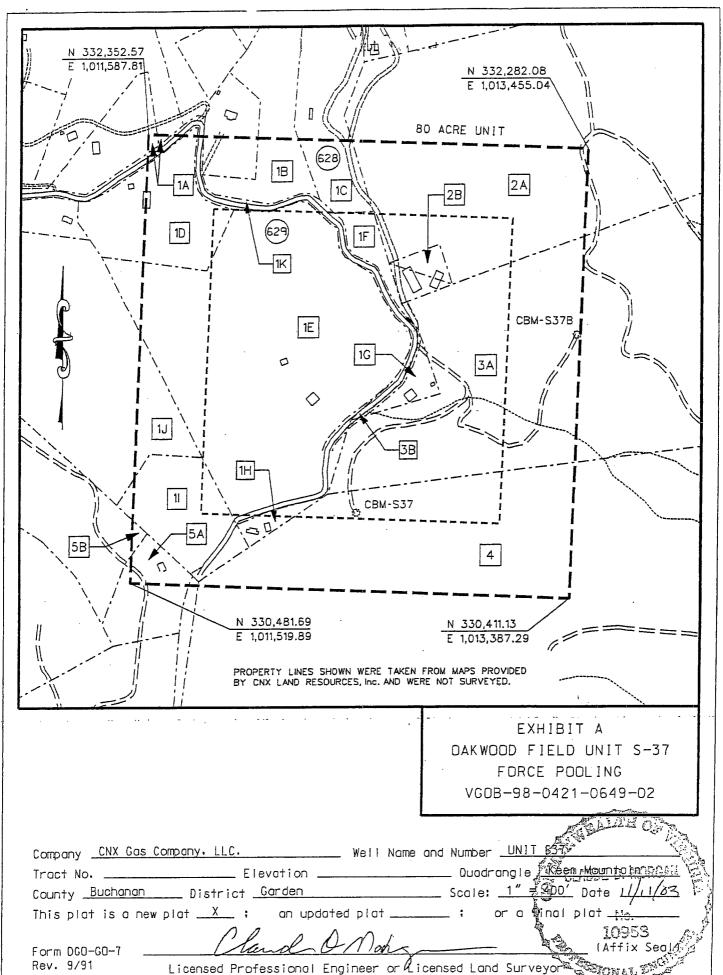
Exhibit A

Tract-by-Tract Escrow Calculation Account Balances as of 2/28/09

Unit \$-37 VGOB 98-0421-0649-03 Acres Escrowed: 1.00

Owners	Tract #	Tract # Acres		Fractional Interest	Owners' Percent of Escrow (50%)	Amount Due Owners \$12,663.29	And the state of t
Hurt McGuire Land Trust					50.0000%	* \$6,331.65 *	
Linkous Horn Heirs	5	1.00	100.0000%		50.0000%	- \$6,331.65 -	738.69
Nellie Maynard		0.0056		1/180	0.2778%	\$35.18	
Danny Elder		0.0056		1/180	0.2778%	\$35.18	
Robert Elder		0.0056		1/180	0.2778%	\$35.18	
Joseph P. Horne		0.1000		1/10	5.0000%	\$633.16	

0.1167 of 1.0 Acres



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CNX Gas Company LLO UNIT S-37 Tract Identification

1.	G.W. Gillespie Estate, Inc., et al – All Minerals Reserve Coal Properties Company – Coal Below Tiller Seam Leased Jewell Smokeless Coal Corporation –Coal in Jawbone Seam Leased CNX Gas Company LLC - CBM Leased 38.78 acres 48.4750%
1A. 1B. 1C. 1D. 1E. 1F. 1G. 1H. 1J. 1K.	Bobby J. Matney, et ux – Surface Frank Horn – Surface Lonnie Honaker – Surface Melissa Vandyke – Surface Ethel Burke – Surface Frank Horn – Surface Raymond Davis – Surface Harold Osborne – Surface Roby Horn – Surface Jimmy L. Horn – Surface Commonwealth of Virginia - Surface
2.	Carl F. Metcalf Estate – All Minerals Consolidation Coal Company – Coal Below Jawbone Leased CNX Gas Company LLC – Oil, Gas and CBM Leased 10.46 acres 13.0750%
2A. 2B.	New Garden Coal Company - Surface Horn Mountain Free Pentecostal Church - Surface
3.	R.O. Vandyke Heirs – All Minerals Consolidation Coal Company – Coal Below Drainage Leased CNX Gas Company LLC – Oil, Gas and CBM Leased 15.77 acres 19.7125%
3A. 3B.	New Garden Coal Company – Surface Commonwealth of Virginia - Surface
4.	Coal Mountain Mining Company, L.L.P. Tr. 26 (1,355 Acre Tract) – Fee Consolidation Coal Company – Below Drainage Coal Leased A.T. Massey – Above Drainage Coal Leased CNX Gas Company LLC – Oil, Gas and CBM Leased 13.99 acres 17.4875%
5.	Hurt McGuire Land Trust (William P. Stilwell 143.6 Acre Tract) - Coal Consolidation Coal Company - Below Drainage Coal Leased A. T. Massey - Above Drainage Coal Leased CNX Gas Company LLC - CBM Leased Linkous Horn Heirs — All Minerals except Coal CNX Gas Company LLC - Oil, Gas and CBM Leased (10%) 1.00 acres 1.2500%
5A. 5B	Willard Osborne – Surface

Exhibit E Unit S-37

Docket # VGOB-98-0421-0649-03 List of Conflicting Owners/Claimants that require escrow

	Acres in Unit	Percent of	Division of In	9-Right
	Acres in Unit	Unit	16.41221%	9.54198%
<u>15, 1.00 acres</u>				
COAL FEE OWNERSHIP				
(1) Hurt McGuire Heirs c/o Charles Green P.O. Box 1067 Bluefield, VA 24605	1.00 acres	1.2500%	0.20515%	0.11927%
OIL & GAS FEE OWNERSHIP				
Linkous Horn Heirs, Devisees, Successors or Assigns	1.00 acres	1.2500%	0.20515%	0.11927%
(1) Arizona Osborne Heirs, Devisees, Successors or Assigns				
(a) Sydney Smith 1911 McVetty Road Salem, VA 24153	0.0333 acres 1/30 of 1.00 acres	0.0417%	0.00684%	0.00398%
(b) Kenneth R. Osborne 848 Peyton Street Roanoke, VA 24019	0.0333 acres 1/30 of 1.00 acres	0.0417%	0.00684%	0.00398%
(c) Martha Guilliams 1911 McVetty Road Salem, VA 24153	0.0333 acres 1/30 of 1.00 acres	0.0417%	0.00684%	0.00398%
(2) Lydia Bell Blankenship Heirs, Devisees, Successors or Assigns				
(a) Noah & Mary Jane Keen Rt. 1, Box 154 Raven, VA 24639	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(b) Shirley Keen Rt.1 Box 159R Raven, VA 24639	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(c) Patsy & Clyde Moore Rt. 1, Box 138 Raven, VA 24639	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(d) Brenda Sue & Eddie Justice P. O. Box 627 Keen Mountain, VA 24624	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(e) James R. Osborne P. O. Box 484 Keen Mountain, VA 24624	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(f) Clifford Osborne Heirs, Devisees, Successors or Assigns				

Exhibit E Unit S-37 Docket # VGOB-98-0421-0649-03 List of Conflicting Owners/Claimants that require escrow

		Acres in Unit	Percent of Unit	Division of Int 8-Right 16.41221%	terest in 9-Right 9.54198%
	(f.1) Phyllis W. Osborne Rt.1 Box 157E Raven, VA 24639	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
	Ronnie & Sherry Osborne P. O. Box 12 Oakwood, VA 24631	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(h)	Charles M. Osborne 216 Plantation Drive Richlands, VA 24641	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(i)	Richard & Debbie Osborne P. O. Box 541 Keen Mountain, VA 24624	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(j)	William Osborne Heirs, Devisees, Successors or Assigns				
	(j.1) Ruth Keen	(Deed o	of Gift to Joyce Linebo	erry 3/16/03)	
	(j.1.1) Joyce Lineberry Mae PO Box 172 Cooleemee, NC 27014	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(k)	John David Osborne Heirs, Devisees, Successors or Assigns				
	(k.1) Darlene B. Osborne Rt.1 Box 157 Raven, VA 24639	0.0091 acres 1/110 of 1.00 acres	0.0114%	0.00187%	0.00108%
(3)	Henry Horn Heirs, Devisees, Successors or Assigns				
(a)	Perry W. Horn P.O. Box 33 Raven, VA 24639	0.0333 acres 1/30 of 1.00 acres	0.0417%	0.00684%	0.00398%
(b)	Larry M. Horn Heirs, Devisees, Successors or Assigns Heirs / Address Unknown	0.0333 acres 1/30 of 1.00 acres	0.0417%	0.00684%	0.00398%
(c)	Ivory Horn Heirs, Devisees, Successors or Assigns				
	(c.1) Patricia D. Horton P.O. Box 65 Raven, VA 24639	0.0056 acres 1/180 of 1.00 acres	0.0069%	0.00114%	0.00066%
	(c.3) Tammy D. Boyd 195 Taylor Circle Raven, VA 24639	0.0056 acres 1/180 of 1.00 acres	0.0069%	0.00114%	0.00066%
	(c.4) Margaret E. Dye 784 Big Creek Road Richlands, VA 24641	0.0056 acres 1/180 of 1.00 acres	0.0069%	0.00114%	0.00066%
		Page 2 of 3			Rev. 3/22/09

Exhibit E Unit S-37

Docket # VGOB-98-0421-0649-03

List of Conflicting Owners/Claimants that require escrow

		Acres in Unit	Percent of Unit	Division of In 8-Right 16.41221%	terest in 9-Right 9.54198%
(4)	Thelma H. Osborne P. O. Box 33 Raven, VA 24639	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%
(6)	Nancy Ann Horn Stilwell Rt. 4, Box 722 North Tazewell, VA 24630	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%
(7)	Earnest Horn Heirs, Devisees, Successors or Assigns				
(a)	Dorothy Horn 305 Bane Bottom Avenue Cedar Bluff, VA 24609	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%
(8)	Martha Smith P. O. Box 395 Max Meadows, VA 24360	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%
(9)	Sarah Horn Day P. O. Box 208 Peterstown, WV 24963	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%
(10)	Carl Horn Heirs, Devisees, Successors or Assigns				
(a)	Marilyn Taylor RR1 Box 1445 Pounding Mill, VA 24637	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%

Exhibit EE Unit S-37

Docket # VGOB-98-0421-0649-03 List of Conflicting Owners/Claimants with Royalty Split Agreements

	Acres in Unit	Interest in Unit	Division of In 8-Right 16.41221%	terest in 9-Right 9.54198%	Percent of Escrow
<u>Tract #5, 1.00 acres</u>					
COAL FEE OWNERSHIP					
(1) Hurt McGuire Heirs c/o Charles Green P.O. Box 1067 Bluefield, VA 24605	1.00 acres	1.2500%	0.20515%	0.11927%	
OIL & GAS FEE OWNERSHIP					
Linkous Horn Heirs, Devisees, Successors or Assigns	1.00 acres	1.2500%	0.20515%	0.11927%	
(3) Henry Horn Heirs, Devisees, Successors or Assigns					
(c) Ivory Horn Heirs, Devisees, Successors or Assigns					
(c.2) Nellie A. Maynard P.O. Box 296 Raven, VA 24639	0.0056 acres 1/180 of 1.00 acres	0.0069%	0.00114%	0.00066%	0.2778%
(c.5) Danny W. Elder P.O. Box 296 Raven, VA 24639	0.0056 acres 1/180 of 1.00 acres	0.0069%	0.00114%	0.00066%	0.2778%
(c.6) Robert G. Elder P.O. Box 65 Raven, VA 24639	0.0056 acres 1/180 of 1.00 acres	0.0069%	0.00114%	0.00066%	0.2778%
(5) Joseph P. Horne 492 Gray Branch Road Cedar Bluff, VA 24639	0.1000 acres 1/10 of 1.00 acres	0.1250%	0.02052%	0.01193%	5.0000%

INSTRUMENT #090002683
RECORDED IN THE CLERK'S OFFICE OF
BUCHANAN COUNTY ON
SEPTEMBER 10: 2005 AT 01:30PM

BEVERLY S. TILLER, CLERK RECORDED BY: NKE